

SUMMARY OF 2019

Illinois Commerce Commission Railroad Supplier Diversity Report

RAILROAD NAME: BNSF Railway

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<http://www.bnsf.com/suppliers/diverse-business-enterprise.html>

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INTRODUCTION:

BNSF Railway is very proud of our Supplier Diversity Program which is a key component of our overall Diversity and Inclusion strategy. The program provides value and competition in the supply chain through: inclusion in the RFP process; local, regional, national, and internal stakeholder outreach; partnerships with certification councils and other supplier diversity professionals; and, finally, through utilization of the Supplier Pre-Assessment Tool. BNSF believes that our supply base should mirror our diverse workforce, as well as mirror the diverse communities and customers we serve. Additionally, our program provides compliance for state and federally funded projects (self-performed projects vs. purchased goods and services), as well as compliance with our customers' requirements.

BNSF operates in 28 states and 3 Canadian provinces utilizing 32,500 miles of track. Overall, our workforce represents the communities through which we operate. BNSF is proud to report that in 2019:

- more than thirty-six percent of our new hires were minorities and women,
- more than 7,300 BNSF employees are either military veterans, or are still serving as members of the Guards or Reserves. In fact, one out of 6 BNSF employees has served in a branch of the U.S. armed Forces, and
- BNSF is an industry leader in diversity having been recognized for the sixth year as a Top 50 STEM Native American Employer, named to Forbes Best Employers List, as well as identified as a top employer for U.S. military veterans.

Much of the work performed throughout our network is done by our diverse, full time workforce; however, when we do engage suppliers, we strive to identify qualified diverse-owned companies.



SUPPLIER DIVERSITY PROGRAM COMPONENTS:

- **Structure:**

- **Organizational:** Housed within Strategic Sourcing & Supply to ensure a strong connection between sourcing professionals and internal customers.
- **Categories Measured:** Suppliers must be certified by a recognized Council/Agency.
 - Minority
 - Woman
 - Veteran
 - HUBZone
 - 8A (Business owned by an economically or socially disadvantaged person(s))
 - Small Disadvantaged Businesses
 - DOT
- **Affiliated Certification Agencies and Councils** that BNSF works with, supports, and sponsors include, but are not limited to, the following:
 - **National Level:**
 - National Center for American Indian Enterprise Development (NCAIED)
 - National Minority Supplier Development Council (NMSDC)
 - NMSDC Transportation Industry Group
 - U.S. Hispanic Chamber of Commerce (USHCC)
 - U.S. Pan Asian American Chamber of Commerce (USPAACC)
 - Women's Business Enterprise Council (WBENC)
 - Woman Owned Small Business (WOSB)
 - Various Veteran support groups
 - **Local/Regional:**
 - Agenda for Building Capacity
 - Hispanic Contractors Association
 - Hispanic American Construction Industry Association (HACIA)
 - Supplier Diversity Professional Work Group (40+ members)
 - Regional Affiliates of NMSDC (23 exist including the Chicago MSDC)
 - Regional Councils of USPAACC (5 exist)
 - USHCC
 - Regional Partner Organizations of WBENC (14 exist)
 - Veteran-Owned support groups
- **Highest Level of Active Management Participation:**
 - VP Sourcing / Chief Sourcing Officer & Controller
 - VP Human Resources

- **Illinois Activities:** National conferences rotate each year to different cities to provide cost effective attendance by suppliers. BNSF attends the major conferences each year. Below are those held in Illinois:
 - Chicago Business Fair (2019 and 2020 (sponsored both years))
 - Get On Board (2013 and 2019 – Not held every year)
 - NMSDC National Conference (2016 in Chicago)
 - Railway Supply Institute Conference (2020 in Chicago)
 - USHCC National Conference (2013 in Chicago; Did not attend in 2018)

Additionally, we attend the National Native American Reservation Economic Summit that is always held in Nevada.

Process and Tools:

Freight railroads are extensively regulated by the federal government. Because of the nature of the railroad business, railroads are held to the highest safety standards. It is, therefore, imperative that railroads employ and contract with only the most qualified, highly-trained individuals that are certified to the highest safety standards.

Diverse-owned suppliers are afforded an equal opportunity to compete for all contracts and sub-contracts where the supplier can satisfy the plans, specifications, and requirements of the project. A supplier is awarded a contract or sub-contract when it can satisfy all project requirements and provide the lowest total cost of ownership.

Best Practices of BNSF's Program:

- Employ a full-time Supplier Diversity Manager within the Strategic Sourcing & Supply Organization.
- Connect current and potential diverse-owned suppliers with buyers of other corporations to foster opportunities throughout the supply chain.
- Report spend with diverse-owned suppliers certified by a recognized agency or council. Certification is very cost effective (\$500 – \$950) for a supplier to obtain, and it greatly enhances the credibility of the supplier. The benefits to the supplier far exceed the cost.
- Participate in and sponsor Council events at a National, Regional, and Local level. These events provide opportunities for one-on-one matchmaker meetings, roundtable sessions, business fairs, developmental sessions, new member orientations, etc. In order to engage diverse-owned business professionals to potentially be included in our supply chain, Managed Service Providers (MSP) and General Contractors (GC) regularly accompany the Supplier Diversity Team to these events.
- Serve on Board of Director's and committees (On the BOD of a regional Women's Business Enterprise Council affiliate, member of the National Minority Supplier Development Council's Transportation Industry Group, member of the DFW MSDC Supplier Diversity Professional Work Group, and serve on the Corporate Advisory Board for USPAACC Southwest).
- Advocate internally for qualified suppliers through ongoing status meetings, supplier review sessions, buyer participation in events, etc.
- Guide non-certified suppliers to become certified.
- Actively require diverse-owned suppliers be included in bids. During the Pre-Assessment process, candidates' capabilities are analyzed to determine if they qualify to be offered a bid opportunity. BNSF's Supplier Diversity Manager provides candidate listings and feedback to the Sourcing team throughout this process.
- Report Tier 2 spend to our key customers.
- Align Supplier Diversity Program goals with our overall diversity and inclusion strategy through participation in Chamber and other outreach activities.

Onboarding New Businesses:

BNSF utilizes a web-based portal (Supplier Pre-Assessment Tool - SPT) for potential suppliers to submit a profile of their company. This is a key step for a supplier to make themselves known to BNSF, and to remain visible on an on-going basis. Based on the materials and services noted, the profile is immediately routed to the appropriate Sourcing team. The Supplier Diversity

Manager actively monitors and serves as a liaison between buyers and suppliers. Content includes safety ratings, railroad experience, e-Railsafe certification, insurance and bonding levels, and geographic service area.

Access to the Supplier Pre-Assessment Tool is very convenient via our internet site:

<http://www.bnsf.com/suppliers/diverse-business-enterprise.html>

Illinois Companies: Of the 940 suppliers (diverse and non-diverse) that have profiles in the Supplier Pre-Assessment Tool, 81 (vs. 63 in 2018) are based in Illinois of which 30 (vs. 9 in 2018) are categorized as diverse-owned.

PROGRAM SIZE AND RESULTS:

Supplier Diversity spend is measured as Prime and Tier 2.

- Prime Diverse Spend – Payments to a diverse-owned supplier that provides materials and services directly to BNSF.
- Tier 2 Diverse Spend – Diverse spend paid by a prime supplier (diverse and non-diverse) that is either directly or indirectly related to materials and services provided to BNSF.

We do not track spend by state for reasons that include:

- (1) Many of our agreements are at a national level to ensure consistency in safety, quality, pricing, etc.
- (2) Suppliers can be based in a different state than where the service is provided.
- (3) Several of our purchased services are outsourced and managed by a Managed Service Provider or a General Contractor. Diverse spend with MSP's and GC's is reported as Tier 2, but not by state.
- (4) Releasing spend by state has the potential to interfere with the confidential bid process.

The range of materials and services purchased from diverse-owned suppliers include:

Constructions Services, Customer Event Coordination, Equipment Rentals, Environmental Services, Information Technology Services, Leadership Training, Legal Services, Lodging, Machining & Tooling, Railcar Lubricants, Relocation Services, Staff Augmentation, Telecom Materials, Positive Train Control Materials, Relocation Services, Signal Materials and Video Production Services.

Newly Contracted Suppliers: This information is difficult to identify. Many suppliers that BNSF has done business with in previous years may have just obtained their diverse certification. Therefore, they are newly diverse suppliers, but they are not newly contracted suppliers for BNSF.

Professional Services: Often, a supplier crosses into several different categories. For example, one company might manage all our properties and therefore handle the cleaning of them as well as the purchasing of the cleaning products used for cleaning. Because of this, that company will show up as both a material and a services provider and cannot be classified as only one or the other. Due to this, it is difficult to accurately report or identify these providers.

Diverse Spend for 2019¹:

SUPPLIERS (IN MILLIONS \$)

YEAR	\$ TOTAL DIVERSE SPEND and (+/-) % CHANGE FROM PREVIOUS YEAR	MBE	WBE	VBE	Small Business – Not included in Total*
2019	\$668 / 51% increase	\$61	\$340	\$260	\$969
2018	\$444	\$47	\$192	\$202	\$993

	SDB/HUBZone
2019	\$7
2018	\$3

YEAR	# OF DIVERSE SUPPLIERS	MBE	WBE	VBE	Small Business – Not included in Total*
2019	260	53	111	84	1,477
2018	285	55	109	116	1,618

	SDB/HUBZone
2019	12
2018	5

Calculation Method - These calculations were made by selecting one category only per diverse business based upon a system hierarchy for categorization. For instance, if a woman-owned business is also considered to be a HUBZone business, we would only count their spend in the woman-owned category, not the HUBZone category. This is important to note when comparing spend across an industry, as some programs may input spend into both categories.

Certified Spend – The calculated spend reported is for Certified companies. If a supplier provides a statement saying they are diverse but do not have a certification, we do not include those numbers in our spend. Because of this, the numbers on this report reflect agency certified spend only, except for Small Businesses, which is explained below.

Small Business Spend – This nearly \$1M/year spend was not accounted for in overall diverse spend. BNSF does not count this spend when reporting because many small businesses are only registered in the System for Award Management (SAM). This is where a supplier registers as a small business with a goal of bidding on government contracts. BNSF does not recognize this registration because diversity status is not validated by SAM.

¹ **Please Note:** 2018 spend may differ from what was previously reported to the ICC. This is because not all data is captured until later into the next year. For example, BNSF might do business with a company in October of 2018. However, that company might not actually bill us for a couple of months. By the time we pay that invoice, it is already 2019. This can lead to variations from what was previously reported when going back and verifying the data for this year's submission.

Success Stories:

- BNSF has recently brought back a woman-owned relocation company, which contributed to about \$80 million of reportable spend in 2019 alone.
- Even in an environment where overall company spend remained flat, if not down, our diverse spend was up 51% with prime suppliers in 2019 versus 2018.
- BNSF sponsored the Chicago Business Fair hosted by the Chicago MSDC. We also will be sponsoring in 2020.

2019 Tier 2 spend increased by 47% compared to 2018! This is a testament to BNSF's goal of not only increasing our own diversity program, but of also holding our suppliers accountable for utilizing diverse companies.